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### **THREATS FOR PRIVATE ENTERPRISES AND THE SUSTAINABILITY IN THE UKRAINIAN MARKET: CHALLENGES AND SOLUTIONS**

**Abstract.** *This article explores the key threats faced by private enterprises in Ukraine and offers potential solutions to address these challenges. Threats such as political instability, corruption, limited access to financing, regulatory complexity, infrastructure deficiencies, and others are examined in terms of their impact on private businesses in Ukraine. The research considers possible ways to tackle these issues, including enhancing stability, combating corruption, improving access to funding, simplifying regulation, investing in infrastructure, and developing the workforce. Strategies for managing geopolitical and trade risks are also discussed. This article highlights the need for collaboration between the government, the private sector, and international partners to overcome these threats and reveals the potential for supporting and fostering private entrepreneurship in Ukraine.*

**Keywords:** *Ukraine, private enterprises, threats, political instability, corruption, regulatory burden.*

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### **ЗАГРОЗИ ДЛЯ ПРИВАТНИХ ПІДПРИЄМСТВ ТА СТІЙКІСТЬ НА УКРАЇНСЬКОМУ РИНКУ: ВИКЛИКИ ТА РІШЕННЯ**

**Анотація.** *У цій статті досліджуються основні загрози, з якими стикаються приватні підприємства в Україні, і пропонуються потенційні рішення для вирішення цих проблем. Такі загрози, як політична нестабільність, корупція, обмежений доступ до фінансування, регулятивна складність, недоліки інфраструктури та інші, розглядаються з точки зору їх впливу на приватний бізнес в Україні. Дослідження розглядає можливі шляхи вирішення цих проблем, зокрема підвищення стабільності, боротьбу з корупцією, покращення доступу до фінансування, спрощення регулювання, інвестування в інфраструктуру та розвиток робочої сили. Також обговорюються стратегії управління геополітичними та торговими ризиками. У статті підкреслюється необхідність співпраці між урядом, приватним сектором та міжнародними партнерами для подолання цих загроз і розкриває потенціал для підтримки та сприяння приватному підприємництву в Україні.*

**Ключові слова:** *Україна, приватні підприємства, загрози, політична нестабільність, корупція, регуляторний тягар.*

**Introduction.** Private enterprises are the backbone of Ukraine's economy, contributing significantly to its economic growth, job creation, and innovation. However, operating a private business in Ukraine comes with a unique set of challenges and threats that can affect the growth and sustainability of these enterprises. This article delves into the various threats and challenges faced by private enterprises in Ukraine and offers potential solutions to mitigate these issues.

From political instability and corruption to limited access to financing and regulatory complexities, Ukrainian businesses must navigate a complex landscape. Understanding these threats and proactively addressing them is crucial to fostering a more conducive environment for private entrepreneurship.

The article aims to provide an in-depth analysis of the challenges faced by private enterprises in Ukraine, offering insights into the root causes of these issues and proposing practical solutions. By examining these challenges and exploring possible remedies, we hope

to contribute to the ongoing efforts to strengthen the private sector in Ukraine and promote sustainable economic growth.

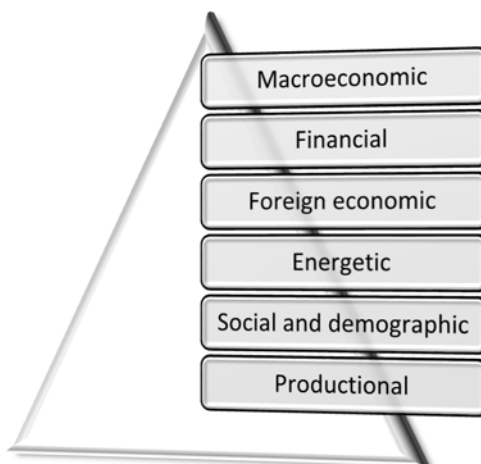
In the following sections, we will delve into the specific threats and challenges in more detail and discuss potential strategies and solutions to address them.

**Objective of the article** is to examine and analyze the critical threats faced by private enterprises in Ukraine and propose effective solutions to mitigate these challenges.

**Research results.** Private enterprises play a crucial role in Ukraine's economy, contributing significantly to employment, economic growth, and innovation. Ukraine's private enterprises have faced a myriad of challenges in recent years, stemming from a complex interplay of domestic and international factors. These challenges have tested the resilience and adaptability of businesses operating in the country. This article explores the key obstacles confronting private businesses in Ukraine and proposes potential solutions to address them.

Ukraine is a large emerging market providing expanding businesses with strategic positioning in the heart of Europe, with good connections the Middle East [1].

The establishment of threats and challenges in the economic system of Ukraine is a significant element of life security, because they also determine the position of the state economy and the directions of protection of national interests. According to the methods for determining the economic security of Ukraine, adopted in 2007, it consists of a number of components (Fig. 1) [2].



Source: [5].

Figure 1. Components of economic security of Ukraine

The components of the economic security of Ukraine, shown in Figure 1, have the specific meanings and purposes, described below.

*Macroeconomic.* This pertains to maintaining a balance of macroeconomic indicators and the capacity to sustain and support the overall economy. It encompasses strategies and policies aimed at achieving stable economic growth, low inflation, low unemployment rates, and a healthy balance of trade [6–12].

*Financial.* This aspect encompasses various facets of the financial system, including budget management, banking operations, currency stability, investment climate, credit availability, and the efficiency of monetary systems. These factors collectively play a crucial role in facilitating the smooth circulation of money within the economic activity of a nation [6–12].

*Foreign Economic.* The foreign economic sector focuses on safeguarding the national interests of Ukraine in the global arena. It involves strategies for minimizing potential losses

resulting from external risk factors such as international trade dynamics, foreign exchange fluctuations, and geopolitical challenges [6–12].

*Energetic.* The energy sector is concerned with ensuring that the nation has a sufficient and reliable supply of energy resources to sustain economic activities and maintain the normal functioning of society. This includes the development of energy infrastructure, sustainable energy sources, and energy security [6–12].

*Social and Demographic.* The social and demographic aspect encompasses efforts to ensure the well-being and welfare of the population. This includes policies and programs related to healthcare, education, social security, and protection against demographic challenges such as declining birth rates or population aging [6–12].

*Productional.* The production sector focuses on preserving and enhancing the productive capacity of enterprises within the country. This involves strategies to promote industrial growth, innovation, technological advancement, and the competitiveness of domestic industries in both national and global markets [6–12].

For more than a year now, Ukrainian entrepreneurs have been suffering huge losses and facing new challenges on a daily basis [3].

Since the beginning of the full-scale invasion, the Ukrainian economy and business have suffered a devastating blow. 30.4% is an unprecedented decline in Ukraine's national economy in 2022 [3].

In addition, according to the Ministry of Social Policy, last year the number of Ukrainians living below the poverty line increased to almost 30%, which in turn had a significant impact on the solvency of citizens, with consumer inflation reaching 26.6% [1, 3].

Along with the decline in the solvency of Ukrainians and the rise in prices, which was also significantly affected by the devaluation of the national currency – from UAH 29 to UAH 40 per dollar [3]. With the beginning of the war, entrepreneurs almost lost the opportunity to conduct any foreign economic activity due to the limited capacity of the country's western borders, almost completely paralyzed seaports, and closed borders with Russia and Belarus for reasons that are clear to all [3].

The primary difficulty today faced by businesses in Ukraine has been the continuous assaults on the country's energy infrastructure by Russia. These attacks have resulted in frequent and extended power disruptions. According to statistics from the European Business Association (EBA), 89% of both privately owned and state-owned enterprises have experienced the consequences of Russia's actions targeting the energy sector [4].

Businesses have been forced to look for alternative sources of electricity and increase their spending on transport and consumables [3].

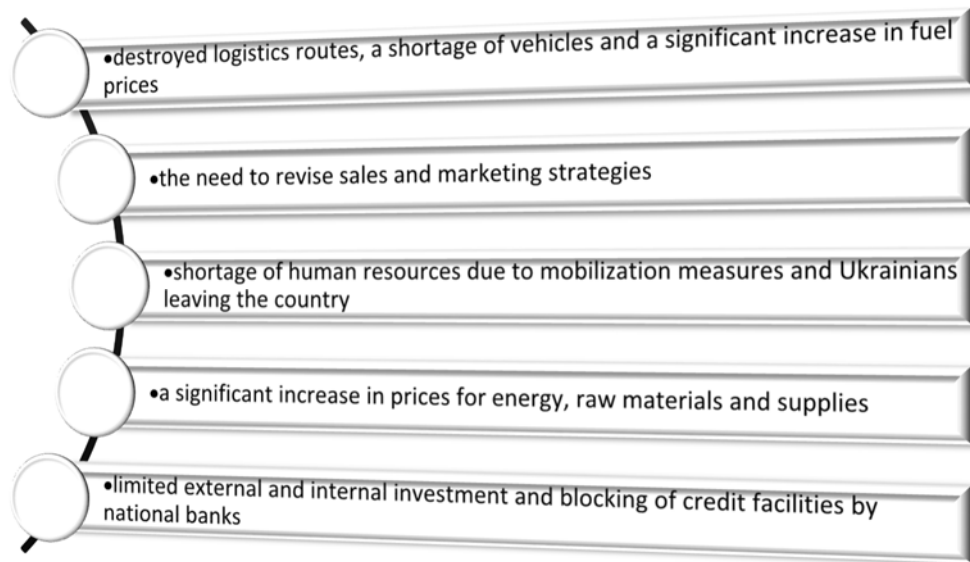
In addition, the reduction in productive hours and the constant interruption of work processes have had a significant impact on companies' revenues [3]. The main challenges for private businesses associated with the onset of the war in Ukraine are listed in Figure 2.

Another challenge was the occupation of some territories, which temporarily deprived companies of access to their production facilities and warehouses [3].

In order to stay afloat, entrepreneurs were forced to reconfigure internal business processes and resort to crisis micro and macro management. The European Banking Authority, which works to ensure effective and consistent prudential regulation and supervision across European banking sector, claims the following facts:

1. about a third of businesses, namely 37% of respondents, were forced to reduce staff and increase the amount of work for the remaining employees by changing their functional responsibilities [3, 4];
2. 44% of companies have adapted their range of goods and services to meet market needs [3, 4];

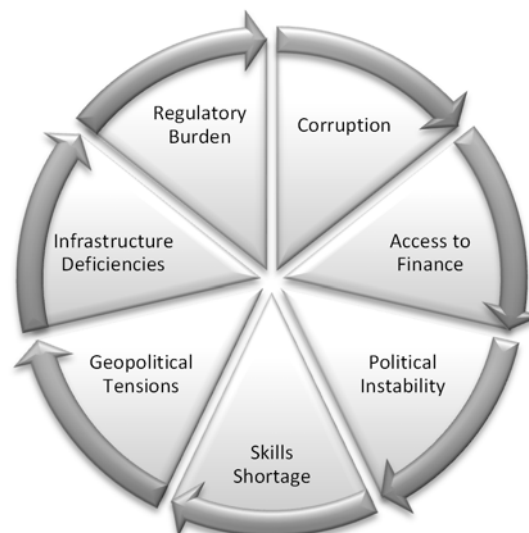
3. most companies have switched to short-term strategic planning (micro-companies – 60% of respondents plan for 1 month, 16% – no changes; small companies – 56% of respondents plan for 1 month, 18% – for a quarter; medium-sized companies – 41% of respondents plan for 1 month, 21% – no changes; large companies – 38% of respondents plan without changes, 26% – for 1 month [3, 4].



Source: [3].

**Figure 2. The main challenges for private businesses associated with the onset of the war in Ukraine**

Taking into account the risks associated with the war in Ukraine and other persistent issues in Ukrainian business, the main challenges have been identified, and possible solutions have been proposed. The general threats faced by businesses in Ukraine, such as political instability, corruption, access to finance, regulatory burden, infrastructure deficiencies, geopolitical tensions, skills shortage, are outlined in Figure 3. In order to understand how to deal with them it is necessary to be aware of their nature.



Source: created by the author on the basis of the source [7].

**Figure 3. The persistent challenges of private businesses in Ukraine**

*Political instability* is a significant and pervasive challenge faced by private enterprises in Ukraine. This issue encompasses a range of factors, including frequent changes in government, pervasive corruption, and inconsistent policy frameworks. The cumulative impact of these factors creates an environment of uncertainty and unpredictability, posing substantial risks to both local and foreign businesses operating in the country.

Ukraine has experienced a series of political upheavals and changes in leadership over the past few decades. These shifts often result from political protests, elections, or geopolitical tensions. Each change in government can bring new economic policies, regulations, and priorities, which can significantly affect the business landscape. This constant flux can make it challenging for private enterprises to plan for the long term, as they must adapt to ever-evolving political dynamics. To mitigate this threat, Ukraine needs to strengthen its institutions, improve the rule of law, and create a stable and predictable regulatory environment. This can attract more foreign investment and promote economic growth.

*Corruption* remains a significant concern in Ukraine, affecting both public and private sectors. Bureaucratic red tape and bribery can hinder business operations, increase costs, and erode trust in the system [7]. Corruption is a deeply ingrained issue in Ukraine's political and economic landscape. It manifests at various levels, from petty bribery to large-scale embezzlement. For private businesses, corruption can lead to increased operating costs, hinder fair competition, and erode trust in public institutions. The pervasive nature of corruption can be a deterrent for foreign investors looking for a transparent and accountable business environment. The Ukrainian government must intensify its efforts to combat corruption by implementing transparency measures, promoting ethical business practices, and reinforcing the independence of the judiciary.

*Access to finance.* Access to affordable financing is a critical challenge for many private enterprises in Ukraine. High-interest rates and a lack of credit options can limit business expansion and innovation. Encouraging the development of a competitive banking sector, expanding access to credit for small and medium-sized enterprises (SMEs), and promoting alternative financing methods as venture capital can help address this issue.

*Regulatory burden.* Ukraine's regulatory environment is often burdensome for private businesses. Complex and outdated regulations can stifle entrepreneurship and hinder economic growth. Streamlining regulations, reducing bureaucratic hurdles, and simplifying compliance procedures can make it easier for businesses to operate and encourage entrepreneurship.

*Infrastructure deficiencies.* Inadequate infrastructure, including transportation, energy, and telecommunications, can impede business operations and increase costs. Investing in infrastructure development and modernization is crucial to enhance the competitiveness of Ukraine's private enterprises. Public-private partnerships can play a significant role in financing these projects.

*Geopolitical tensions.* The geopolitical situation of Ukraine, including its ongoing conflict with Russia, presents additional challenges for businesses. Trade disruptions, security concerns, and the risk of sanctions can affect operations and investment. While the resolution of geopolitical tensions may require international diplomacy, businesses can focus on diversifying markets, exploring new trade routes, and implementing robust risk management strategies.

*Skills shortage.* A pressing concern for private enterprises in Ukraine is the shortage of skilled labor, particularly in specific industries and sectors. This issue significantly impedes business growth, innovation, and overall economic development. The shortage of skilled workers poses multifaceted challenges that need to be addressed to create a more favorable environment for businesses. Ukraine has a well-educated population with strong potential in various fields. However, many skilled professionals seek employment opportunities abroad due

to higher wages and better working conditions. This migration of talent limits the local business community's access to a skilled workforce. Education and Training Gaps: Inadequate training programs and outdated curricula in certain industries contribute to the skills gap. As technology advances and industries evolve, there is often a lag in educational institutions' ability to keep up with the demand for specific skill sets. Investing in Education: Collaborative efforts between the government, businesses, and educational institutions are essential to revamp educational programs. This includes updating curricula to align with industry needs and investing in vocational training programs.

Creating an environment where skilled professionals are incentivized to remain in Ukraine is crucial. This can be achieved through competitive wages, career advancement opportunities, and improved working conditions. On the other hand, encouraging skilled workers from other countries to work in Ukraine can help mitigate the skills shortage. Streamlining visa processes and offering attractive work opportunities can make Ukraine a more appealing destination for foreign professionals.

**Conclusion.** The findings highlight the multifaceted nature of the challenges faced by private enterprises in Ukraine. Despite the numerous threats and challenges facing private enterprises in Ukraine, there are also opportunities for growth and success. By addressing these issues through comprehensive reforms, improved governance, and strategic investments, Ukraine can create a more favorable environment for private businesses to thrive. Collaboration between the government, private sector, and international partners is essential to overcome these threats and unlock the full potential of Ukraine's private enterprise sector.

The proposed solutions include strengthening institutions, improving the rule of law, combating corruption, expanding access to affordable financing, streamlining regulations, investing in infrastructure, diversifying markets, and addressing the skills shortage. Collaboration between the government, private sector, and international partners is crucial in implementing these reforms and creating a more conducive environment for private entrepreneurship in Ukraine.

In the face of adversity, Ukrainian entrepreneurs have demonstrated resilience and adaptability. With the right reforms and support, private enterprises in Ukraine can not only overcome these challenges but also thrive and contribute even more significantly to the country's economic growth and development. By fostering a stable, transparent, and business-friendly environment, Ukraine can realize its potential as a dynamic emerging market in the heart of Europe, with the capacity to attract investment and drive sustainable economic growth.

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